

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 783 - HB 1204

March 3, 2021

SUMMARY OF BILL: Authorizes any amount of sales and use taxes collected within 0.25 miles of the center point of a new minor league baseball stadium, in excess of the sales and use tax collections generated in the same area in FY19-20, to be allocated to the entity that is responsible for retirement of the debt on and maintenance of the stadium in the municipality, if the stadium is placed in service after December 31, 2020, and on or before December 31, 2025.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Exceeds \$131,200/FY23-24 and Subsequent Years

Foregone State Revenue – Exceeds \$262,300/FY23-24 and Subsequent Years

Increase Local Revenue – Exceeds \$393,500/FY23-24 and Subsequent Years

Assumptions:

- The proposed legislation will apply to three counties: Davidson, Knox, and Shelby. However, based on Fiscal Review Committee staff research, only the new Tennessee Smokies stadium in Knoxville will meet the requirements of this legislation and qualify for the proposed allocation.
- Pursuant to Tenn. Code Ann. § 67-6-103(d)(1)(A)(iii), the entity that is responsible for retirement of the debt on and maintenance of the Knoxville stadium would qualify, under current law, for the allocation of state and local sales tax revenue equal to the amount of state and local tax revenue derived from the sale of admissions to Tennessee Smokies games, and also the sales of food and drinks sold on the premises of the stadium used in conjunction with those games, parking charges, and related services, as well as the sales by the franchise, within Knox County, of authorized franchise goods and products associated with its operations as a professional sports franchise less local taxes collected in the year preceding the new stadium occupancy.
- Pursuant to Tenn. Code Ann. § 67-6-103(d)(1)(A)(v), the state sales tax rate subject to such apportionment is 5.5 percent. The rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 4.603 percent.
- The new Tennessee Smokies stadium is assumed to be placed into service by July 1, 2023. Therefore, the first year impacted by this legislation will be FY23-24.
- The current development plans entail a \$142,000,000 mixed-use development in Knoxville's Old City area, anchored by a new \$65,000,000 ballpark for Tennessee

Smokies. The mixed-use development is to feature 630,000 square feet of residential space, restaurants, and retail in the ballpark vicinity.

- It is assumed that all such development will take place in the absence of this legislation.
- Any fiscal impact associated with any such new business activity is considered foregone state revenue and an equivalent increase in local revenue as this revenue is currently not collected by state or local governments. Any fiscal impact associated with currently existing businesses is considered a decrease in state revenue and an equivalent increase in local revenue.
- Based on Fiscal Review Committee staff research, there are at least 10 current establishments that are within the 0.25-mile range that generate significant sales and use taxes.
- Assuming the average taxable sales of these establishments is at least \$1,000,000 per year, the total annual taxable base of this area is estimated to be at least \$10,000,000 (\$1,000,000 x 10 establishments).
- Due to COVID-19 pandemic business closures, it is assumed that the sales and use tax collections in FY19-20 were 75 percent of the average annual collections, or \$7,500,000 (\$10,000,000 x 75%).
- Therefore, the total increase in taxable sales over FY19-20 is estimated to exceed \$2,500,000 (\$10,000,000 - \$7,500,000) in FY21-22 and subsequent years.
- The recurring decrease in state revenue and subsequent increase in local revenue in FY23-24 and subsequent years is estimated to exceed \$131,171 [(\$2,500,000 x 5.5%) – (\$2,500,000 x 5.5% x 4.603%)].
- The number and type of new establishments, as well as their associated taxable sales, that will be placed into service within the 0.25-mile radius as part of the development of the area that will take place in the absence of this legislation is unknown.
- However, it is reasonably estimated that at least five new establishments with at least \$1,000,000 in annual taxable sales will become operational by July 1, 2023. Further, there could be additional increases in the overall business activity within the 0.25-mile radius due to the development of the area.
- Therefore, the recurring amount of foregone state revenue and corresponding increase in local revenue, beginning in FY23-24, is estimated to exceed \$262,342 [(\$5,000,000 x 5.5%) – (\$5,000,000 x 5.5% x 4.603%)].
- The total increase in local revenue is estimated to exceed \$393,513 (\$131,171 + \$262,342) in FY23-24 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Bojan Savic, Interim Executive Director

/aw